

IN THE SUPREME COURT OF THE STATE OF MISSOURI

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|--------------------------------|---|------------------|
| CENTRAL TRUST & INVESTMENT |) | |
| COMPANY, |) | |
| |) | |
| Appellant, |) | |
| |) | |
| vs. |) | |
| |) | |
| SIGNALPOINT ASSET MANAGEMENT, |) | Case No: SC93182 |
| LLC, |) | |
| |) | |
| Respondent, and |) | |
| |) | |
| TROY KENNEDY |) | |
| and |) | |
| ITI FINANCIAL MANAGEMENT, LLC, |) | |
| |) | |
| Defendants. |) | |

Appeal from the Circuit Court of Green County, Missouri
The Honorable Michael J. Cordonnier, Circuit Judge
On transfer from the Missouri Court of Appeals Southern District

**SUBSTITUTE BRIEF OF AMICUS CURIAE
MISSOURI CHAMBER OF COMMERCE**

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TABLE OF CONTENTS

| | |
|---|----|
| TABLE OF CONTENTS | 2 |
| TABLE OF AUTHORITIES..... | 3 |
| INTEREST OF AMICUS CURIAE..... | 4 |
| JURISDICTIONAL STATEMENT | 5 |
| STATEMENT OF FACTS..... | 5 |
| POINTS RELIED ON | 5 |
| ARGUMENT..... | 6 |
| I. The Court should continue to recognize that confidential customer lists and client information are subject to protection as trade secrets under Missouri law. | 7 |
| II. Adoption of the court of appeals’ analysis would create uncertainty and dilute protection of confidential customer information, an important asset of Missouri employers..... | 11 |
| CONCLUSION | 13 |
| CERTIFICATE OF COMPLIANCE | 14 |

TABLE OF AUTHORITIES

Cases

| | |
|---|----------|
| <i>Lyn-Flex West, Inc. v. Dieckhaus</i> , 24 S.W.3d 693 (Mo. App. 1999)..... | 9 |
| <i>Mid-States Paint & Chemical Co. v. Herr</i> , 746 S.W.2d 613 (Mo. App. 1988) | 8 |
| <i>National Rejectors, Inc. v. Trieman</i> , 409 S.W.2d 1 (Mo. banc 1966)..... | 7, 11 |
| <i>Superior Gearbox Co. v. Edwards</i> , 869 S.W.2d 239 (Mo. App. 1993) | 7, 8 |
| <i>Western Blue Print Co. v. Roberts</i> , 367 S.W.3d 7 (Mo. banc 2012)..... | 8, 10 |
| <i>Whelan Security Co. v. Kennebrew</i> , 379 S.W.3d 835 (Mo. banc 2012) | 7, 8, 10 |

Statutes

| | |
|---|---|
| §417.450 to 417.467, RSMo. (2001) | 6 |
|---|---|

Other Authorities

| | |
|---|----|
| Restatement (First) of Torts § 757..... | 11 |
|---|----|

INTEREST OF AMICUS CURIAE

The Missouri Chamber of Commerce is a not-for-profit association representing the interests of small, medium, and large employers throughout Missouri. The Missouri Chamber represents nearly 3,000 members employing more than 475,000 Missouri citizens. The Missouri Chamber is filing this amicus brief to address how adoption of the court of appeals' analysis and holding would unreasonably minimize the protected status of confidential customer lists and information and adversely affect employers in Missouri.

JURISDICTIONAL STATEMENT

Amicus Missouri Chamber of Commerce adopts and incorporates by reference the jurisdictional statement of appellant Central Trust & Investment Company.

STATEMENT OF FACTS

Amicus Missouri Chamber adopts and incorporates by reference the statement of facts of appellant Central Trust and Investment Company.

POINTS RELIED ON

Amicus Missouri Chamber of Commerce adopts and incorporates by reference the points relied on of appellant Central Trust & Investment Company.

ARGUMENT

The purpose of the Missouri Uniform Trade Secret Act (“MUTSA”), sections 417.450 to 417.467 RSMo. (2001), and Missouri trade secret law is to promote fair competition among employers in the state. That goal is best accomplished by recognizing an employer’s rights to protect and control trade secrets, a valuable business asset, while also recognizing the right of competitors to fairly utilize unprotected information. Consequently, it is critical that the courts, in interpreting and applying MUTSA, properly balance these respective interests without either imposing undue burdens on employers attempting to protect confidential customer lists and information or exposing competitors to unreasonable threats of liability for allegedly anti-competitive behavior. The standards governing the protection of trade secrets must be defined as clearly as possible so that employers can fairly determine what type of information is protectable and what must be done to ensure that MUTSA applies, and thereby promote fair competition without the specter and expense of litigation arising from claims of misappropriation of trade secrets. Carefully defined and consistently applied standards serve the interests of businesses on both sides of a potential dispute and reduce the potential harm to Missouri employers.

Respectfully, the trial court’s ruling and the court of appeals’ opinion in this case upset the necessary balance and muddy the waters by suggesting that confidential customer lists and customer information are not protectable as trade secrets under MUTSA, and can only be protected by non-compete or confidentiality agreements. Adoption of these holdings would impose an additional burden on employers seeking

only to safeguard an asset that has long been recognized as protected from misappropriation. And, in reaching its conclusion, the court of appeals engaged in a factual analysis that, if generally adopted, would unreasonably diminish trade secret protection under Missouri law.

I. The Court should continue to recognize that confidential customer lists and client information are subject to protection as trade secrets under Missouri law.

In *Whelan Security Co. v. Kennebrew & Morgan*, 379 S.W.3d 835, 844 n.5 (Mo. banc 2012), this Court stated that “customer lists...are protectable as a trade secret and can include information about prospective customers.” In its opinion in this case, the court of appeals dismissed the statement in *Whelan* as “dicta found in a footnote.” Opinion at 12. But this Court’s recognition in *Whelan* that customer lists and information are protectable as trade secrets is not aberrant dicta, but instead an accurate statement of long-standing Missouri law. See *National Rejectors, Inc. v. Trieman*, 409 S.W.2d 1, 18-19 (Mo. banc 1966) (list of customers may be a trade secret); *Superior Gearbox Co. v. Edwards*, 869 S.W.2d 239, 249 (Mo. App. 1993) (customer list may be trade secret), quoting *National Rejectors*.

The Chamber does not ask the Court to hold that every customer list, no matter how created or maintained, is automatically a trade secret. But this Court should reject the court of appeals’ somewhat dismissive treatment of confidential customer lists and information. Customer lists and detailed customer information, often the results of years of effort expended and expense incurred by Missouri employers, can be an undeniably

valuable asset, providing a well-earned competitive advantage that courts should continue to acknowledge as a protectable trade secret.

In concluding that the customer list and database in this case – which included names, contact information, confidential personal and private customer information, and the specialized needs and preferences of clients and prospective clients – were not protectable as trade secrets, the court of appeals apparently confused customer lists and information with “customer contacts.” Based on this confusion, the court concluded that customer information, even if a trade secret under Missouri law, would only be protectable by a non-compete agreement. Opinion at 13. This is both a misstatement of Missouri law and bad policy for Missouri employers.

Missouri courts have long recognized that an employer has protectable interests in two things: trade secrets and customer contacts. *Superior Gearbox*, 869 S.W.2d at 250; *Mid-States Paint & Chem. Co. v. Herr*, 746 S.W.2d 613, 617 (Mo. App. 1988). Thus, customer lists and information protectable as trade secrets are distinct from “customer contacts.” Indeed, this Court recognized that distinction in *Whelan Security*: “The extent of Whelan’s legitimate interest in customer contacts is distinguishable from the legitimate interest an employer may have in customer lists, which are protectable as a trade secret . . .” 379 S.W.3d at 844 n. 5.

This Court recently described “customer contacts” as the goodwill of the customer that “attaches to the employer’s sales representative personally.” *Western Blue Print Co. v. Roberts*, 367 S.W.3d 7, 18 (Mo. banc 2012). Those contacts and resulting relationships, as opposed to confidential customer lists and customer information, may be

appropriately protected through a non-compete agreement that prevents a former employee from unfairly taking advantage of customer relationships the employee developed while working for the former employer.¹

But if a confidential customer list or customer information is a trade secret, it is subject to protection under the MUTSA, without any requirement of a non-compete or confidentiality agreement.² While the existence of a non-compete or confidentiality agreement may be evidence of confidentiality, the lack of such agreements is not conclusive. *Lyn-Flex West, Inc. v. Dieckhaus*, 24 S.W.3d 693, 699 (Mo. App. 1999). A trade secret is protected from disclosure because the information is confidential and has value to the employer, independent of any separate non-compete agreement with the employee.

¹ Although the court of appeals stated that “*customer contacts* are only protectable by a non-compete agreement,” Opinion at 13 (emphasis added), this case involves customer lists and confidential customer information, not simply customer contacts or relationships. At best, the court of appeals erroneously conflated customer relationships and confidential customer information, and erroneously suggested that a non-compete agreement is needed to protect both.

² Notably, the court of appeals in this case mentioned that the former officer signed a confidentiality agreement, but then never addressed that agreement in reaching its conclusion that the customer information was not protected.

The court of appeals also improperly relied on *Western Blue Print Co. v. Roberts* in reaching its conclusion that confidential customer lists and information must be protected by a non-compete or confidentiality agreement. Opinion at 11-12. But *Western Blue* involved a breach of fiduciary duty claim, not a claim for misappropriation of trade secrets under MUTSA, and did not discuss what was required for information to be a trade secret under the statute. 367 S.W.3d at 14-16. In the context of a claim for breach of fiduciary duty, this Court in *Western Blue* merely held that if an employer wants to prevent the disclosure or use of information that does not qualify as a trade secret, the employer should obtain confidentiality or non-compete agreements from its employees. *Id.* at 16. The Court did not hold that a customer list or customer information is not protectable as a trade secret, or that a non-compete or confidentiality agreement is the only way to protect confidential customer lists and information that are a trade secret. The Court in *Western Blue* stated only that “customer contacts” are not protectable as trade secrets and require a non-compete agreement. *Id.* at 18. Again, the term “customer contacts” refers to relationships developed with customers by an employer’s agents, which, as the Court recognized in *Whelan Security*, are distinct from customer lists and customer information that may be protectable as a trade secret. *Whelan*, 379 S.W.3d at 844 n.5.

Requiring non-compete agreements to protect confidential customer lists and information would also be bad public policy, imposing an unnecessary and expensive burden on employers in order to protect information that has been and should continue to be protectable as a trade secret. Under the court of appeals’ analysis, the employer would

need a non-compete agreement signed by every employee whose job required access to customer information that was already protectable as a trade secret, regardless of an employer's efforts to maintain the confidentiality of that information. There is no justification for imposing this additional burden on every employer in Missouri which simply wishes to protect confidential information from misappropriation by a competitor.

II. Adoption of the court of appeals' analysis would create uncertainty and dilute protection of confidential customer information, an important asset of Missouri employers.

In order to achieve the proper balance between protecting confidential information and promoting fair competition, courts must also adequately identify and properly apply the factors relevant in determining what information is protectable as a trade secret. In addition, clearly identified and fair standards permit both employers and their competitors to know the boundaries of fair competition and avoid costly litigation. Unfortunately, the factual analysis used by the court of appeals in rejecting trade secret protection for the customer information in this case failed to provide the necessary protection or guidance for employers.

The court of appeals purports to apply six factors identified in the Restatement (First) of Torts, § 757, as "some factors" to be considered in determining whether information is a trade secret. Opinion at 9-10; *National Rejectors*, 409 S.W. 2d at 19. However, the court of appeals relies on a factual analysis that, if applied generally, would undermine trade secret protection for customer lists and customer information. Opinion at 10-11.

Contrary to the court of appeals' opinion, the protection given confidential personal customer information should not be dependent on the employee's ability to memorize it. Opinion at 10. The protected status should depend on the nature of the information and the conduct of the employer, not the employee's memorization skills.

Similarly, the sharing of confidential information with affiliated companies as might be necessary for an employer to do business should not destroy that information's trade secret status. *Id.* Adoption of the court of appeals' analysis would unfairly force an employer to choose between effective operation of its business with its affiliated companies and the loss of confidentiality of personal client information. There is nothing inconsistent between a claim that personal customer information is confidential and the appropriate use of that information by an affiliated company.

The use of a customer's likeness or name in marketing also is not inconsistent with maintaining the confidentiality of the personal information about that customer. *Id.* A competitor's knowledge that an employer has a particular customer should not mean that an employee or competitor may misappropriate confidential information the employer has developed about that customer; the employer still should be able to protect the confidential information for the fair competitive advantage it offers.

The court of appeals also concluded that the customer information at issue was not a trade secret because Central Trust had admitted that "technically each client has control of his or her own information such that its clients have the ability to cease doing business with Central Bank at any time." *Id.* Adoption of this analysis would threaten to preclude a claim of confidentiality as to any customer information, no matter how long it had taken

to develop or how carefully it was protected. A customer always has control over his or her personal information, knows his or her own history, preferences, and plans, and has the freedom and right to take the business elsewhere. Recognition of a customer's control over his or her own information should not then give an employee or competitor the right to misappropriate that information to its advantage. If confidential information is not protected simply because the customer can choose to take his or her business elsewhere, then an employer's confidential customer information will be protectable only when there are no competitors and the customer has nowhere else to go. Employers in Missouri deserve better protection than this for their confidential customer lists and customer information.

CONCLUSION

In order to protect the interests of employers in Missouri, the Missouri Chamber respectfully requests that the Court reject the analysis of the court of appeals, reaffirm that confidential customer lists and customer information may be protectable as trade secrets, and clarify the factors a court should consider in determining what is a trade secret.

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CERTIFICATE OF COMPLIANCE

The undersigned certifies that this brief includes the information required by Rule 55.03 and complies with the requirements contained in Rule 84.06. Relying on the word count of Microsoft Word, the undersigned certifies that this brief contains a total of 2,224 words, excluding the cover, certificate of service, certificate of compliance, and signature block.

The undersigned further certifies that an electronic copy of this brief was also filed via electronic mail to the clerk in an email that was scanned for viruses and was found virus-free through the Symantec anti-virus program.

/s/ Thomas B. Weaver

CERTIFICATE OF SERVICE

I hereby certify that on July, 31, 2013, I electronically filed Brief of Amicus Curiae, Missouri Chamber of Commerce with the Clerk of the Court using the electronic-filing system. Pursuant to Rule 103.08, service on registered users will be accomplished by the electronic-filing system.

/s/ Thomas B. Weaver